

3 AUG 1955

The Honorable Herbert Hoover, Jr.
Under Secretary of State
Department of State
Washington, D. C.

Dear Herb:

I am attaching a copy of a
self-explanatory cable from
Ambassador Lute

25X1

Faithfully,

Allen W. Dulles
Director

Attachment

O/DCI/JSE/mfb 3Aug55

Distribution:

Orig - Addressee
1 - DCI Files (
1 --ER
1 - JSE Chrono
1 - Chris via reading

State Department review completed

"Following from Ambassador Luce:

1. I would very much appreciate your forwarding or discussing following comments with the Under Secretary of State Herbert Hoover, Jr. Matter affects our general interests here (including your own indirectly) and is not exactly suitable for my usual channels of communication. I am therefore calling on you to do me the favor of passing it along to the Under Secretary of State personally because he is an expert in regard to subject matter involved. I hope you will make whatever comment you wish as to psychological implications. Communists are playing this one hard.

2. In a conversation with Quaroni last week he stated there was one basic situation and only one which threatens quadripartite and prevents creation of stable government. This is controversy surrounding adoption of a law covering the exploration and development of liquid and gaseous hydrocarbons. Quaroni's reasoning follows line that before Mattei will submit to passage of an oil law such as is favored by our economic mission, he will bring down government and bring about monocolore with support of Socialists, who will then give him the oil law that he wants. While Quaroni's view is probably extreme, I have learned from other sources that the disparate positions between the U. S. and Mattei on this question are continuing cause for considerable tension within political structure here; I do accept Quaroni's position that it might be desirable for U. S. Government to take initiative unofficially to bring foreign oil interests together with Mattei in hope of settling questions by negotiation. Certainly there is some reason to believe matter can be negotiated if initiative is taken by a recognized technician of sufficient standing.

3. The positions of the various parties at interest have become so fixed it is difficult to see how tension can be eased unless some such negotiation is undertaken under appropriate sponsorship. On this very score I may state that Rome and certain of our economic people have their own settled views, supported by strong and logical arguments, but nevertheless diametrically opposed to those of Mattei. In order that matter not be unusually belabored and situation further aggravated by a priori discussion, I suggest that negotiation under U. S. technical sponsorship be considered by the Secretary and.

if he finds suggestion has merit, make such an offer within appropriate framework. As very minimum, qualified technician could advise us on adequacy or inadequacy of U. S. position after close analysis of problem involved.

4. I will appreciate your giving this suggestion (or any other which you feel may alleviate this tense issue) your fullest considerations in anticipation of arrival next week of Eldridge Durbrow who can fill in details."

25X1 Comments:

"1. Modality of oil exploration is one of liveliest topics which Communists have to play. They hammer away at American viewpoint constantly, talking on all "imperialism" themes which are so well known in this connection. They tried hard to make petroleum exploration an issue in Sicilian elections, not without some success. Much potential and possibly renascent nationalism revolves around this issue, expression of which could well be perverted and diverted by Communists to their own ends. On this issue it entirely possible some people close to Mattei are giving succor to Nenni Socialists and Communists, at least we have number of rather general reports this effect.

2. In meantime, from several sources, we have learned Mattei is not supporting directly CD Party but has chosen give funds through Vanoni to give "La Base" current political leverage on issue. Thus issue spills over into very structure and basic unity CD Party, impelling it further toward Nenni.

3. Certainly I can say that adoption of a law supported by Government, Mattei and foreign interests would dispel one large disunifying issue from within and would remove a Communist "cause" on which much stinging and probably effective propaganda is based. Moreover, the longer settlement of issue is delayed, the more inclined Mattei may be to seek Social Communist support."